



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

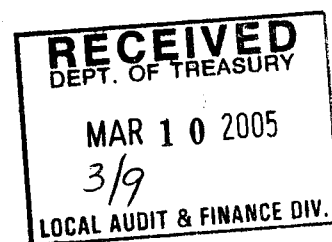
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EDENVILLE TOWNSHIP
EDENVILLE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2004

56-1010



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RSM McGladrey Network

An Independently Owned Member

Michigan Department of Treasury
496 (2-04)**Auditing Procedures Report**

Issued under P.A. 2 of 1988 as amended

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name EDENVILLE TOWNSHIP	County MIDLAND
Audit Date 6/30/04	Opinion Date 9/21/04	Date Accountant Report Submitted to State: 10/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes to the financial statements, comments and recommendations.

You must check the applicable box for each item below

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name)

WEINLANDER FITZHUGH

Street Address

1600 CENTER AVENUE

City

BAY CITY

State

MI

ZIP

48708

Accountant Signature

Stewart A. Reid CPA

Date

10/29/04

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3a-aj
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balance	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Fiduciary Funds:	
Statement of Fiduciary Net Assets	10

CONTENTS

	<u>Page</u>
Notes to Financial Statements	11-19
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	20
Budgetary Comparison Schedule – Solid Waste Fund	21
Budgetary Comparison Schedule – Road Assessment Fund	22



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

Independent Auditors' Report

September 21, 2004

Township Board
Township of Edenville
Edenville, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Edenville, Edenville, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Edenville as of June 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

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WEINLANDER FITZHUGH

Township Board
Township of Edenville
September 21, 2004
Page 2

The accompanying management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

Our discussion and analysis of Edenville Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2004.

Financial Highlights

The Township's net assets decreased by \$73,000 or 12%. Program revenues accounted for \$18,000 or 4% of total revenues, and general revenues accounted for \$388,000 or 96%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Edenville Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General Fund, Solid Waste Fund and Road Assessment Fund. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the General Fund, Solid Waste Fund and Road Assessment Fund (Required Supplemental Information)

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

Reporting the Government's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections and (other funds). All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Government-wide Financial Analysis

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Government's net assets as of June 30, 2004:

<u>Exhibit A</u>	<u>Governmental Activities</u>
Assets	
Current and other assets	\$ 258,000
Capital assets - net of accumulated depreciation	<u>293,000</u>
Total assets	<u>551,000</u>
Liabilities	
Current Liabilities	<u>36,000</u>
Net Assets	
Invested in capital assets	293,000
Unrestricted	<u>222,000</u>
Total net assets	<u><u>\$ 515,000</u></u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

Exhibit A, on the previous page, focuses on net assets. The Township's net assets were \$515,000 at June 30, 2004. Capital assets totaling \$293,000 compares the original costs, less depreciation of the Township's capital assets.

The \$222,000 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General, Solid Waste and Road Assessment Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the year ended June 30, 2004. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

	<u>Governmental Activities</u>
<u>Exhibit B</u>	
Revenue	
Program revenue:	
Charges for services	\$ 13,000
Grants and contributions	5,000
General revenue:	
Property taxes	187,000
State revenue sharing	173,000
Other	<u>29,000</u>
Total revenue	<u>407,000</u>
Function/Program Expenses	
General government	168,000
Public safety	83,000
Public works	91,000
Streets and highways	17,000
Legislative	1,000
Recreation and culture	13,000
Sanitation	<u>107,000</u>
Total expenses	<u>480,000</u>
Increase (Decrease) in Net Assets	<u><u>\$ (73,000)</u></u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$480,000. Certain activities were partially funded from those who benefited from the programs or by the other governments and organizations that subsidized certain programs with grants and categoricals. We paid for the remaining "public benefit" portion of our governmental activities with \$187,000 in taxes, \$173,000 in State revenue sharing, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced a decrease in net assets of \$73,000. The key reason for the change in net assets was that actual expenditures exceeded actual revenues. The decrease in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Township's Funds

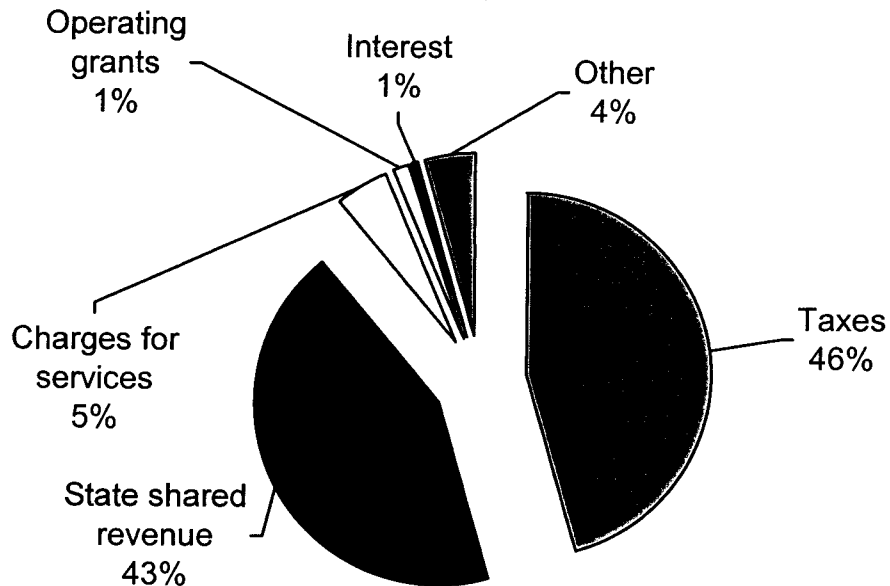
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$194,000, which is below last year's total of \$236,000. The schedule below indicates the fund balances and the total change in fund balances as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 187,000	\$ 191,000	\$ (4,000)
Solid Waste	15,000	45,000	(30,000)
Road Assessment	(8,000)	0	(8,000)
Total	<u>\$ 194,000</u>	<u>\$ 236,000</u>	<u>\$ (42,000)</u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

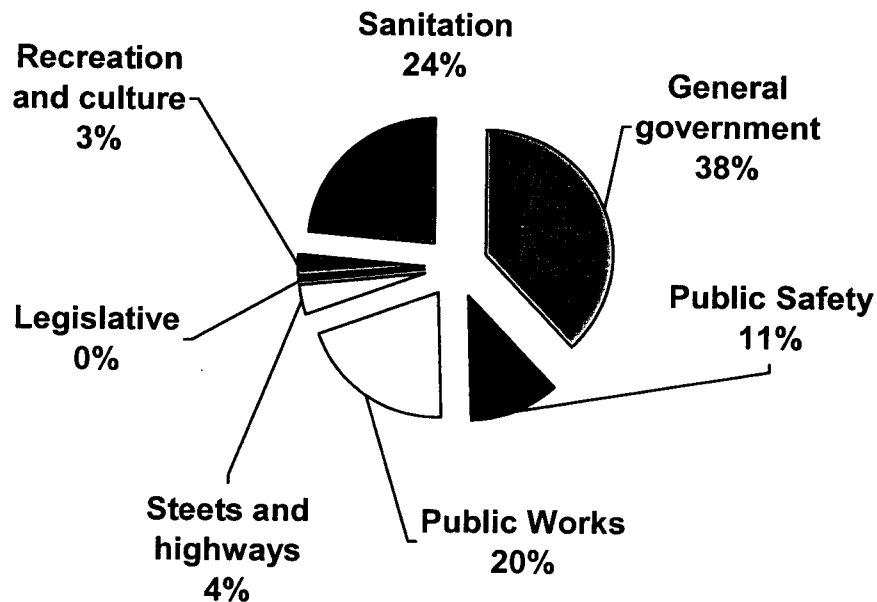
The graph below details the major sources of the Township's revenues.



	<u>2004</u>
<i>Revenues by Function</i>	
Taxes	\$ 187,000
State shared revenue	178,000
Charges for services	20,000
Operating grants	5,000
Interest	3,000
Other	<u>19,000</u>
Total	<u><u>\$ 412,000</u></u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

The graph below details the major expenditure categories of the Township.



<i>Expenditures by Function</i>	<u>2004</u>
General Government	\$ 173,000
Public Safety	52,000
Public Works	91,000
Streets and highways	17,000
Legislative	1,000
Recreation and Culture	13,000
Sanitation	107,000
Total	<u><u>\$ 454,000</u></u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues remained about the same throughout the fiscal year. The overall change was immaterial.
- Budgeted expenditures remained about the same throughout the fiscal year. The overall change was immaterial.
- There were no significant variances between the final budget and actual amounts.

Capital Assets

At June 30, 2004, the Township had \$562,000 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$1,000 from last year.

	Governmental	
	Activities	
	2004	2003
Land	\$ 14,000	\$ 14,000
Buildings and improvements	217,000	217,000
Equipment	331,000	330,000
Total capital assets	562,000	561,000
Less accumulated depreciation	269,000	242,000
Net capital assets	<u>\$ 293,000</u>	<u>\$ 319,000</u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2004

This year's additions of \$1,000 included equipment. No debt was issued for these additions.

We anticipate capital additions will be minimal in the next fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

Requests For Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Edenville Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Alice Sharon Such
Supervisor
Box 24
Edenville, MI 48620

EDENVILLE TOWNSHIP
Statement of Net Assets
June 30, 2004

	Governmental <u>Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 200,073
Receivables - net	58,126
Capital assets - net of accumulated depreciation of \$269,308	<u>292,775</u>
Total Assets	<u>550,974</u>
<u>Liabilities</u>	
Accounts payable	21,118
Accrued and other liabilities	4,249
Advances	<u>10,314</u>
Total Liabilities	<u>35,681</u>
<u>Net Assets</u>	
Invested in capital assets	292,775
Unrestricted	<u>222,518</u>
Total Net Assets	<u><u>\$ 515,293</u></u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Statement of Activities
For the Year Ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government:				
General government	\$ 175,444	\$ 13,344	\$ 4,928	\$ (157,172)
Public safety	75,203	0	0	(75,203)
Public works	90,679	0	0	(90,679)
Streets and highways	17,356	0	0	(17,356)
Legislative	1,407	0	0	(1,407)
Recreation and culture	12,831	0	0	(12,831)
Sanitation	106,785	0	0	(106,785)
Total governmental activities	<u>\$ 479,705</u>	<u>\$ 13,344</u>	<u>\$ 4,928</u>	<u>(461,433)</u>
General revenues:				
Property taxes				187,243
State shared revenues				173,279
Unrestricted investment earnings				2,442
Other				<u>25,492</u>
Total general revenues				<u>388,456</u>
Change in net assets				(72,977)
Net assets - beginning of year				<u>588,270</u>
Net assets - end of year				<u>\$ 515,293</u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP

Governmental Funds

Balance Sheet

June 30, 2004

	General Fund	Solid Waste Fund	Road Assessment Fund	Total
<u>ASSETS</u>				
Cash and investments	\$ 167,585	\$ 31,640	\$ 848	\$ 200,073
Receivables - net	29,316	0	0	29,316
Due from other funds	9,472	0	0	9,472
Total assets	<u>\$ 206,373</u>	<u>\$ 31,640</u>	<u>\$ 848</u>	<u>\$ 238,861</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 4,538	\$ 16,580	\$ 0	\$ 21,118
Accrued payroll liabilities	4,249	0	0	4,249
Due to other funds	0	0	9,472	9,472
Swanton Hall advances	10,314	0	0	10,314
Total liabilities	<u>19,101</u>	<u>16,580</u>	<u>9,472</u>	<u>45,153</u>
<u>Fund Balance (Deficit)</u>				
Unreserved	<u>187,272</u>	<u>15,060</u>	<u>(8,624)</u>	<u>193,708</u>
Total Liabilities and Fund Balance	<u>\$ 206,373</u>	<u>\$ 31,640</u>	<u>\$ 848</u>	<u>\$ 238,861</u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2004

Total fund balance - governmental funds	\$ 193,708
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	562,083
Accumulated depreciation	(269,308)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the statement of revenues, expenditures and changes in fund balance	<u>28,810</u>
Total net assets - governmental activities	<u><u>\$ 515,293</u></u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2004

	General Fund	Solid Waste	Road Assessment Fund	Total
<u>Revenues</u>				
Taxes and penalties	\$ 101,498	\$ 77,025	\$ 8,720	\$ 187,243
State shared revenue	178,223	0	0	178,223
Charges for services	20,399	0	0	20,399
State grants	4,928	0	0	4,928
Interest	2,228	202	12	2,442
Other revenue	18,437	0	0	18,437
Total revenues	<u>325,713</u>	<u>77,227</u>	<u>8,732</u>	<u>411,672</u>
<u>Expenditures</u>				
Current:				
General government	172,717	0	0	172,717
Public safety	51,856	0	0	51,856
Public works	90,679	0	0	90,679
Streets and highways	0	0	17,356	17,356
Legislative	1,407	0	0	1,407
Recreation and cultural	12,831	0	0	12,831
Sanitation	0	106,785	0	106,785
Total expenditures	<u>329,490</u>	<u>106,785</u>	<u>17,356</u>	<u>453,631</u>
Excess (deficiency) of revenues over expenditures	(3,777)	(29,558)	(8,624)	(41,959)
Fund balance - beginning of year	<u>191,049</u>	<u>44,618</u>	<u>0</u>	<u>235,667</u>
Fund balances (deficit) - end of year	<u>\$ 187,272</u>	<u>\$ 15,060</u>	<u>\$ (8,624)</u>	<u>\$ 193,708</u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balance - total governmental funds	\$ (41,959)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(27,264)
Capital outlay	1,190
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the statement of revenues, expenditures, and changes in fund balance	<u>(4,944)</u>
Change in net assets of governmental activities	<u><u>\$ (72,977)</u></u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2004

	<u>Tax Fund</u>
<u>ASSETS</u>	
Cash and investments	<u>\$ 4</u>
<u>LIABILITIES</u>	
Due to other governmental units	<u>\$ 4</u>

See accompanying notes to financial statements.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Edenville (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Edenville Township:

Reporting Entity

The Township of Edenville is governed by an elected five member council (Board). The accompanying financial statements present the financial position and results of operations for the Township for which the government is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Buildings, improvements, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 Years
Equipment	5 to 20 Years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Change – Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Statement 34 requires the classification of net assets into three components – invested in capital assets, restricted, and unrestricted.

Net assets at July 1, 2003 have been restated as follows:

Total fund equity at July 1, 2003	\$235,667
Change to full accrual	33,754
Capital assets owned by the Township	560,893
Accumulated depreciation on capital assets	<u>(242,044)</u>
Net assets at July 1, 2003, as restated	<u><u>\$ 588,270</u></u>

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Township of Edenville follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended, by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund, Solid Waste Fund and Road Assessment Fund are presented as Required Supplemental Information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Township of Edenville incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund:			
General government	\$ 165,318	\$ 172,717	\$ 7,399
Road Assessment Fund:			
Streets and highways	\$ 10,000	\$ 17,356	\$ 7,356

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 200,073</u>	<u>\$ 4</u>	<u>\$ 200,077</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank deposits (checking and savings accounts)	<u>\$200,077</u>

The bank balance of the primary government's deposits is \$199,321, of which \$143,717 is covered by federal depository insurance.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 14,578	\$ 0	\$ 0	\$ 14,578
Capital assets being depreciated:				
Buildings and improvements	216,651		0	216,651
Equipment	329,664	1,190	0	330,854
Subtotal	<u>546,315</u>	<u>1,190</u>	<u>0</u>	<u>547,505</u>
Less accumulated depreciation for:				
Buildings and improvements	62,666	4,333	0	66,999
Equipment	179,378	22,931	0	202,309
Subtotal	<u>242,044</u>	<u>27,264</u>	<u>0</u>	<u>269,308</u>
Net capital assets being depreciated	<u>304,271</u>	<u>(26,074)</u>	<u>0</u>	<u>278,197</u>
Governmental Activities, total capital assets - net of depreciation	<u>\$ 318,849</u>	<u>\$ (26,074)</u>	<u>\$ 0</u>	<u>\$ 292,775</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,917
Public safety	<u>23,347</u>
Total governmental activities depreciation expense	<u>\$ 27,264</u>

Edenville Township
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of inter-fund receivable and payable balances at June 30, 2004 and transfers made during the year ended June 30, 2004 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 9,472	\$ 0	\$ 0	\$ 0
Road Assessment	<u>0</u>	<u>9,472</u>	<u>0</u>	<u>0</u>
	<u>\$ 9,472</u>	<u>\$ 9,472</u>	<u>\$ 0</u>	<u>\$ 0</u>

A payable is owed from the Road Assessment Fund to the General Fund for advances by the General Fund on behalf of the Road Assessment Fund.

NOTE 6 – DEFICIT FUND BALANCE

The Township's Road Assessment Fund has a deficit fund balance because it expended funds in anticipation of future revenues. The deficit will be eliminated through future tax collections.

EDENVILLE TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes and penalties	\$ 92,000	\$ 102,050	\$ 101,498	\$ (552)
State shared revenue	195,000	185,000	178,223	(6,777)
Charges for services	15,500	12,500	20,399	7,899
State grants	0	0	4,928	4,928
Interest income	5,000	3,000	2,228	(772)
Miscellaneous revenues	1,000	7,800	18,437	10,637
Total revenues	<u>308,500</u>	<u>310,350</u>	<u>325,713</u>	<u>15,363</u>
Expenditures:				
Current:				
General government	169,318	165,318	172,717	(7,399)
Public safety	72,950	72,950	51,856	21,094
Public works	98,500	95,000	90,679	4,321
Recreation and culture	14,000	14,000	12,831	1,169
Legislative	3,100	3,100	1,407	1,693
Total expenditures	<u>357,868</u>	<u>350,368</u>	<u>329,490</u>	<u>20,878</u>
Excess (deficiency) of revenues over expenditures	(49,368)	(40,018)	(3,777)	36,241
Fund balance - beginning of year	<u>224,803</u>	<u>224,803</u>	<u>224,803</u>	<u>0</u>
Fund balance - end of year	<u>\$ 175,435</u>	<u>\$ 184,785</u>	<u>\$ 221,026</u>	<u>\$ 36,241</u>

EDENVILLE TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - Solid Waste Fund
For the Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 75,500	\$ 88,800	\$ 77,025	\$ (11,775)
Interest income	600	200	202	2
Total revenues	<u>76,100</u>	<u>89,000</u>	<u>77,227</u>	<u>(11,773)</u>
Expenditures:				
Current:				
Sanitation	<u>92,100</u>	<u>110,500</u>	<u>106,785</u>	<u>3,715</u>
Excess (deficiency) of revenues over expenditures	(16,000)	(21,500)	(29,558)	(8,058)
Fund balance - beginning of year	<u>44,618</u>	<u>44,618</u>	<u>44,618</u>	<u>0</u>
Fund balance - end of year	<u>\$ 28,618</u>	<u>\$ 23,118</u>	<u>\$ 15,060</u>	<u>\$ (8,058)</u>

EDENVILLE TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - Road Assessment Fund
For the Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 0	\$ 0	\$ 8,720	\$ 8,720
Interest income	0	0	12	12
Total revenues	<u>0</u>	<u>0</u>	<u>8,732</u>	<u>8,732</u>
Expenditures:				
Current:				
Streets and highways	<u>10,000</u>	<u>10,000</u>	<u>17,356</u>	<u>(7,356)</u>
Excess (deficiency) of revenues over expenditures	(10,000)	(10,000)	(8,624)	1,376
Fund balance - beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance - end of year	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ (8,624)</u>	<u>\$ 1,376</u>